



Event Report: CBA's Global and Australian Economic & Market Outlook presented by Stephen Halmarick, Chief Economist, Head of Global Economic & Markets Research, Commonwealth Bank of Australia

Report prepared by the Australian Chamber of Commerce Hong Kong

AustCham Hong Kong and Shanghai hosted Stephen Halmarick, Chief Economist of Commonwealth Bank Australia to discuss the lasting impacts of the pandemic on the global economic environment, as well providing analysis on different economic metrics within Australian and Chinese markets. He also touched on topical issues like the Sino-Australian trade tensions and global vaccine rollout plans in relation to Australia's post-pandemic economic recovery.

Halmarick reported positive signals toward a global economic recovery as the global GDP saw a 6.6% annual growth. Although driven mostly by the strong performance posted by the Chinese economy, given their rapid containment of the virus and a strong bounce-back on production, the United States of America also demonstrated signs of recovery, supported by timely stimulus policies and vaccine rollouts pushed ahead by the Biden administration. However, uncertainty is still rife in European, UK and Emerging markets due to successive community outbreaks and lockdowns.

He was optimistic about Australia's recovery, as the CBA posted positive forecasts for the country's 2022 GDP. He anticipated a general increase in consumer confidence following a pick-up in inoculation rates, which are at present significantly lower than other OECD countries. The local job market was significantly impacted during the pandemic period, as Australia saw the lowest unemployment rates in the last decade. While the extended closure of international borders meant a shortage in skilled expatriate and migrant workers, it saw business shift their reliance from offshore labor into the local workforce. He also predicted this trend would potentially lead to an increase in wages.

The booming real estate market was also spotlighted in his analysis as he underlined New South Wales and Victoria as the biggest buyer markets in the country, with the national increase in house prices at a drastic hike of approximately 12% from last year's average prices. This was facilitated by a slash in interest rates by the RBA, more banks offering fixed rate mortgages, and a stronger labor market. He expected a more moderate growth in the latter half of the year and early next year.

The valuation of the AUD was of particular interest to both speakers and audience alike as Halmarick forecasted the AUD/USD to remain undervalued in the near future, predicting a further decline in valuation this year due to the temporary strength of the USD. The AUD is forecasted to be valued at

USD 0.72 at year-end 2021, potentially witnessing a drop to USD 0.7 due to the external risk factors associated with the ongoing trade tensions, and to rally at USD 0.8 by year-end 2022. AUD/RMB may continue to decline due to the undervaluation of AUD/USD. Halmarick highlighted the need for Australia to diversify its export strategy in the future, however, maintained that the country was still positioned at a trade surplus despite the pandemic. Conversations around climate change and ESG were also brought up, as the concluded event with comments on the trend of both corporate and government sectors having a vested interest in driving transition to wide-scale use of cleaner energy sources and how this would bring about a slew of new opportunities for businesses to engage in.

AustCham Hong Kong would like to thank Platinum Patron Commonwealth Bank for bringing these insights to our members, and the Australian Chamber of Commerce in Shanghai for their support and collaboration on this event. A copy of the presentation from the event is available upon request.